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ABSTRACT

H. R. 6774 as reported by the Committee on Education and Labor contains technical and miscellaneous amendments to higher education provisions contained in the Education Amendments of 1976 (Public Law 94-482). The Educational Amendments of 1976 became law on October 12, 1976. Areas covered by this legislation include: community service and continuing education programs; lifelong learning; Basic Educational Opportunity Grants; grants to states for state student incentives; federal, state, and private programs of low-interest insured loans to students in institutions of higher education; eligibility of student borrowers; loan insurance supplemental guaranty agreement; default of student under federal loan insurance program; institutional lenders; special allowances; Student Loan Marketing Association; direct loans to student in institutions of higher education; general provisions relating to student assistance programs; Teacher Corps and teacher training programs; and construction, reconstruction and renovation of academic facilities. (IBH)

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95TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 95-269

HIGHER EDUCATION TECHNICAL AMENDMENTS

MAY 6, 1977.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

U S DEPARTMENT OF HEALTH, EDUCATION & WELFARE NATIONAL INSTITUTE OF EDUCATION

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Mr. PERKINS, from the Committee on Education and Labor, submitted the following

REPORT

[Including cost estimate of the Congressional Budget Office]

[To accompany H.R. 6774]

The Committee on Education and Labor, to whom was referred the bill (H.R. 6774) to make certain technical and miscellaneous provisions relating to higher education contained in the Education Amendments of 1976, having considered the same, reports favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment (stated in terms of the page and line number of the introduced bill) is as follows:

Page 15, line 9, insert after "(A)" the following: "sections 425(a) (other than paragraphs (1)(A) and (B) thereof) and 428(b)(1)(A) (other than divisions (i) and (ii) thereof), and".

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NEED FOR THE LEGISLATION

H.R. 6774 as reported by the Committee on Education and Labor contains technical and miscellaneous amendments to higher education provisions contained in the Education Amendments of 1976 (Public Law 94-482). The Education Amendments of 1976 became law on October 12, 1976.

Title I of the 1976 act provided for the extensive modification and extension of the Higher Education Act of 1965 as amended. Title I of the act provided for the establishment of 7 new higher education programs and the extension and modification of more than 20 existing programs. The 1977 supplemental appropriations bill provided funding for these authorities in excess of $3,000,000,000.

A major portion of title I of the act provided for a total rewrite of all components of the guaranteed student loan program, including

Federal insurance of student loans; Federal reinsurance of State-guaranteed loans; payment of interest subsidies; advances to the States for the establishment of State guarantee agencies; administrative allowances for such agencies; and provisions to substantially alleviate defaulting on student loans.

These modified provisions affect the operation of the insured loan program throughout the States and affect the practices of thousands of institutions of higher education and more than 19,000 participating commercial lenders.

After the enactment of Public Law 94–482 and during the initial implementation of this extensive legislation, a number of administrative problems were brought to the attention of the committee by the administration and other affected instituions and parties. The amendments contained in H.R. 6774 respond to these concerns and provide for the correction of printing errors, punctuation errors, gammatical errors, and modifications in effective dates and other miscellaneous provisions contained in Public Law 94–482. H.R. 6774 is a product of a bipartisan effort by this committee and the corresponding committee in the other body to facilitate technical changes necessitated after the enactment of the Education Amendments of 1976.

Most of the amendments affect the guaranteed student loan program and they generally fall into three categories. The first category contains amendments relating to effective dates. Because the Education Amendments of 1976 did not become law until October 12, 1976, and the Office of Education did not notify lenders on a timely basis of the changes in the law, a situation was created whereby some question could arise as to the validity of some loans which have been made pursuant to the provisions of Public Law 94–482. The amendments in H.R. 6774 allow for a reasonable period of time for compliance with certain provisions of the new law, and these amendments are intended to alleviate any possible question relating to the validity of Federal insurance of these loans.

A second category of amendments relates to provisions in the Education Amendments of 1976 which provide incentives for States to establish guaranty agencies. The committee has determined that certain criteria which State agencies are required to meet in order to receive the monetary incentives provided by the new law have been either extremely difficult or in some cases impossible for States creating new agencies to meet. Since a major purpose of the Education Amendments of 1976 was to encourage the establishment of such agencies, H.R. 6774 modifies these requirements to accommodate particular needs of States establishing new State agencies.

For example, the Education Amendments of 1976 authorizes the payment of an administrative allowance to State guarantee agencies. Such allowance may only be used for statutorily defined allowable administrative expenses. Section 428(f)(1)(B) divides these allowable agency expenses into three categories with percentage allocations for each. As enacted 50 percent of each administrative allowance payment which is received must be used for preclaims and collections expenses. If the guarantee agency cannot prove reimbursable expenditures in such amount for that one item the remaining 50-percent allocation for lender promotion is proportionately reduced. The committee notes that with respect to new guarantee State agencies, pre-

claims, and collections expenses on defaulted loans may be minimal in the initial years of operation.

Accordingly, H.R. 6774 exempts a new State agency from this requirement during the first year of operation. In the second and third year of operation the requirement is that 20 percent—rather than 50 percent—of the payment received be used for preclaims and collections expenses. A State agency must meet the full requirement thereafter.

The committee does not believe that the modified requirement will work a hardship on new State agencies. To the contrary, the committee hopes that new State agencies will in the early years of operation pay particular attention to building systems and preparing lenders to avoid future default problems. It is intended the cost of such activities come within the statutory definition of "administrative costs of claim assistance for default prevention".

A second example provides greater flexibility to the States in establishing a State guarantee program. Under existing law, after changing from the Federal insured student loan program to a State agency program, no Federal insurance may be provided in a State once the State program becomes operative. State officials have advised that after such a change many lenders would prefer to continue Federal insurance on student loans for those borrowers with federally insured loans already outstanding. The committee has accepted the argument that allowing the continuation of Federal insurance on this very limited basis would better serve students and provide for a smoother transition from the Federal program to a State program. The committee wishes to emphasize that this limited continuation of Federal insurance is only permited when such is requested by a State.

A third and final category of amendments, relating not only to the guaranteed student loan program but to other higher education programs, modifies existing language in order to clarify the original intent of the Congress or to correct typographical, punctuation, or clerical errors.

Three additional amendments should be mentioned, the first of which delays for an additional 15 months (until October 1, 1978) the effective date of the provision in secton 415C(b)(4) of the Higher Education Act, as amended, which would require States to make all nonprofit institutions of higher education within the State eligible to participate in the State student incentive grant program. The committee has determined that this additional period of time is reasonable and not in conflict with the committee's desire that students in nonprofit institutions, both public and private, be eligible for participation in the State student incentive grant program.

It should also be noted that the committee has restored a provision relating to basic educational opportunity grants which was deleted by the Education Amendments of 1976. This amendment provides for making ratable increases in grants when appropriations are insufficient to pay full entitlements but are in excess of the amount needed to fund at the first-step reduction.

Finally, H.R. 6774 proposes to amend a section of the 1976 act which liberalized the definition of institution of higher education for nonprofit institutions. Section 181 of the 1976 act broadened the definition of an institution of higher education to include public

or private nonprofit institutions that admit as regular students those beyond the age of compulsory school attendance in the State in which the institution is located.

In explanation of this provision, the statement of the managers on the conference report on the 1976 act emphasized "that this amendment will not terminate the eligibility for Federal assistance of any institution that that was eligible under previous law." After enactment of the 1976 act, information was brought to the committee's attention which indicated that the U.S. Office of Education was preparing to publish regulations based on this amendment which would have been in conflict with the intention expressed by the managers—that the revised definition was intended solely to liberalize eligibility requirements for public and private nonprofit institutions.

Accordingly, H.R. 6774 contains an amendment which adds a statutory proviso to section 181 of the act directing that this liberalizing amendment not be interpreted so as to terminate the eligibility of any institution of higher education eligible for participation in programs authorized by the Higher Education Act at the time of the enactment of the 1976 act.

Legislative Action

H.R. 6774 is the final product of this committee's effort to develop a bill providing for the technical and miscellaneous changes in the law which were brought to the committee's attention subsequent to the enactment of the Education Amendments of 1976. In developing H.R. 6774 the committee has consulted with several interested parties including the executive branch.

On April 29, 1977, H.R. 6774 was introduced by Mr. William D. Ford, chairman of the Subcommittee on Postsecondary Education, for himself and Mr. Buchanan, the ranking minority member of the subcommittee. H.R. 6774 was cosponsored by both the chairman and ranking minority member of the full committee as well as a bipartisan coalition of several other members of the committee.

On May 4, 1977, H.R. 6774 was considered by the full committee under a unanimous consent request by Mr. Ford. The committee adopted one additional technical amendment offered by Mr. Ford relating to the effective date for certain provisions of section 425(a) and section 428(b)(1)(A) of part B of title IV of the Higher Education Act of 1965 and ordered the bill favorably reported as amended. The bill was reported by unanimous voice vote, a quorum being present.

Oversight

No findings or recommendations concerning oversight of the amendments contained in H.R. 6774 have been received by the committee from the Committee on Government Operations.

Inflationary Impact

Since H.R. 6774 contains no new authorizations for funds, the committee estimates that the bill will have no inflationary impact. Although H.R. 6774 contains one provision relating to authorizations,

this provision corrects a clerical error in the extension of authorization levels and does not result in any authorization of funds in addition to what was intended in Public Law 94–482.

COST ESTIMATE

The Congressional Budget Office having reviewed the bill, H.R. 6774 has provided the following cost estimate in which the committee concurs. The committee wishes to point out again, however, that the extension of authorization for title VI of the National Defense Education Act for fiscal year 1978 and fiscal year 1979 was intended by Public Law 94–482.

CONGRESSIONAL BUDGET OFFICE,
U.S. CONGRESS,
Washington, D.C., May 6, 1977.

Hon. CARL D. PERKINS,
Chairman, Committee on Education and Labor,
U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for H.R. 6774, a bill consisting of technical and miscellaneous amendments relating to the higher education provisions contained in the Education Amendments of 1976.

Should the committee so desire, we would be pleased to provide further details on the attached cost estimate.

Sincerely,

ROBERT A. LEVINE,
(For Alice M. Rivlin, Director.)

Attachment.

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

1. Bill number: H.R. 6774.

2. Bill title and purpose: To make certain technical and miscellaneous amendments relating to higher education provisions contained in the Education Amendments of 1976.

The funding for this legislation is subject to appropriations action.

3. Cost estimate:

	Millions
Authorization levels:	
Fiscal year:	
1978	$75
1979	75
Projected total outlays:	
Fiscal year:	
1978	0
1979	51
1980	75
1981	24
1982	

4. Basis for estimate: The technical and miscellaneous amendments to the higher education provisions contained in the Education Amendments of 1976 essentially have no significant cost, except for section 6049(f) of the National Defense Education Act of 1958. That section

was omitted from the Education Amendments of 1976 and authorizes appropriations of $75 million for fiscal year 1978 and fiscal year 1979. The projected total outlays associated with this authorization were calculated using spendout rates provided by the Budget Office of the U.S. Office of Education.

5. Estimate comparison: Not applicable.
6. Previous CBO estimate: None.
7. Estimate prepared by: Robert F. Black (225–7766).
8. Estimate approved by: James L. Blum, Assistant Director for Budget Analysis.

SECTION-BY-SECTION ANALYSIS OF TECHNICAL AND MISCELLANEOUS AMENDMENTS TO HIGHER EDUCATION PROVISIONS CONTAINED IN THE EDUCATION AMENDMENTS OF 1976

Section 1(a)

(1) This amendment clarifies that fiscal year 1975 is the benchmark year to be used in determining minimum State allotments under part A (Community service and continuing education programs) of title I of the Higher Education Act (hereinafter referred to as the act).

(2) This amendment corrects a punctuation error in section 104 of the act (Uses of allotted funds—community service and continuing education programs).

(3) This amendment corrects a grammatical error in section 105 of the act (State plans—community service and continuing education programs).

(4) Administrative responsibility for part B (Lifelong learning) of title I of the act is vested in the Assistant Secretary for Education. This amendment conforms section 133(a)(7) (Lifelong learning activities) in this regard.

(5) This amendment restores a provision controlling the determination of a Basic Grant when appropriations are insufficient to pay full entitlements but in excess of the amount needed to fund the first-step reduction.

(6) This amendment delays for 15 months (that is, until October 1, 1978) the effective date for the requirement that States made all nonprofit institutions of higher education eligible to participate in the State incentive grant program.

(7) Section 415(E) (Bonus allotments for State student incentive grant programs) is amended to clarify the eligibility of States for a bonus allotment where a statewide student loan insurance program is carried on by a nonprofit private organization or institution designated by the State.

(8) This amendment corrects an erroneous cross reference in Section 421 of the Act (Statement of Purpose and Appropriations Authorized—Insured Student Loans).

(9) This amendment corrects punctuation errors in Section 421 of the Act (Statement of Purpose and Appropriations Authorized—Insured Student Loans) and Section 427 (Eligibility of Student Borrowers and Terms of Federally Insured Student Loans).

(10) Section 421(c)(1) of the Act, which encourages the establishment of state student loan insurance programs is amended to clarify that the requirements of this Subsection are met in instances where a

state designates a nonprofit private institution or organization to carry out a statewide student loan insurance program.

(11) Section 422 (Advances for reserve funds of State and nonprofit private loan insurance programs) is amended to—

(a) clarify that the amount of an advance to a State agency is calculated not on the principal amount of loans insured by such agency but on the principal amount of loans made by lenders and insured by such State agency.

(b) clarifies that there is a $50,000 minimum advance for the first year for all such agencies, and 4 additional years for any new State agency.

(c) provide for ratable reduction for the advance authority in the case of insufficient appropriations. When such is the case, ratable reduction will occur on the amounts in excess of $50,000 per State is not available then the amounts will be reduced on a pro rata basis and that if additional funds become available during any fiscal year, the reduced advances will be increased on the same basis as they were reduced.

(12) Section 422(c)(5)(B) of such act, dealing with advances to State programs, is amended to clarify the eligibility of States which did not have an active insurance program in operation as of the date of enactment of the Education Amendments of 1976. Under the amendment, States with agencies which had been started and allowed to lapse may receive a new advance payment to encourage their reactivation.

(13) Section 422(c)(6)(B)(iii) of such act, authorizing agreements with private nonprofit institutions or organization for insured student loan programs, is amended to clarify that an "eligible institution" as defined in the act may not qualify as a nonprofit institution or organization to insure student loans.

(14) Subsection (b) of section 423 of the act (Effects of adequate non-Federal programs) sets forth the circumstances under which the Commissioner may issue certificates of Federal insurance in a State where there is a guarante agency. Subsection (b) is amended to allow the Commissioner to continue Federal insurance in a State which initiates a new State-insured student loan program but only on loans made to borrowers who had previously received a federally insured student loan. The Commissioner may continue to insure loans for such borrowers only with the approval of the State.

(15) Section 425(a)(1)(A) of such act (Limitations on individual federally insured loans and on Federal loan insurance) is amended (a) to clarify that the limitations on loans for first-year students apply to the first academic year of postsecondary education rather than to the first year of undergraduate education; and (b) by correcting grammatical errors in three instances.

(16) Section 425 (a)(1)(B) of such act (Limitations on individual federally insured loans and on Federal loan insurance) is amended to clarify the eligibility of a first-year student consistent with the amendment made by clause 14 of this bill.

(17) Section 425(a)(1)(B) of such act requiring multiple disbursement of certain student loans, is clarified to provide that all loans made within any 90-day period be considered as a single loan in determining whether such loan must be multiply disbursed.

(18) Section 427(a)(2)(G) of such act, dealing with the eligibility of student borrowers, is amended to correct a punctuation error.

(19) Section 428(a)(8)(A) of such act, dealing with multiple disbursement of loans, is amended to clarify the period of time during which the loan is to be multiply disbursed.

(20) Section 428(a)(9) of such act, dealing with loans made to students attending institutions outside the United States, is amended (a) to clarify language relating to the determination of interest benefits, (b) by deleting unnecessary language, and (c) by deleting an incorrect cross-reference.

(21) Section 428(b)(1)(A) of such act, setting forth the requirements for a State-insured student loan program, is amended by: (a) clarifying the maximum and minimum limitations on the amount which may be insured by a State program by having such limitations apply with reference to the academic year; (b) by correcting grammatical errors in two instances and by substituting language to conform the State program with the Federal insurance program with regard to limitations applicable to students borrowing from their institutions of postsecondary education during the first academic year; (c) by conforming limitations in the State program to limitations in the Federal program as set forth in clause 15 of this bill; and (d) by conforming the State program with the Federal program with regard to requirements set forth in clause 16 of this bill.

(22) Section 428(b)(1) of such act, setting forth requirements for a State student loan insurance program, is amended by striking a requirement in paragraph (P) thereof which was not intended to apply to State student loan insurance programs, and by making necessary conforming changes.

(23) Section 428(c)(1)(C) of such act, containing definitions applicable to the determination of the rate of Federal reinsurance of loans made under a State student loan insurance program, is amended (a) to clarify that such determination is made on the principal amount of loans disbursed rather than on the principal amount of loans insured, and (b) by deleting language which would have provided that in such determination there would have been a double reduction of loans repaid by the Commissioner for death, disability, and bankruptcies.

(24) Section 428(c)(5) of such act, setting forth requirements related to Federal reinsurance of a State or private nonprofit student loan insurance program, is amended to clarify that Federal reinsurance applies to all outstanding loans of that program on the date the reinsurance agreement is executed, and by deleting obsolete language.

(25) Section 428(c)(6) of such act, defining the Commissioner's equitable share with respect to Federal reinsurance of loans made under a State or private nonprofit student loan insurance program, is amended to have such definition apply with respect to a supplemental agreement between the Commissioner and a State or private nonprofit student loan insurance program, and by clarifying that the determination of the Commissioner's equitable share is based on a State's administrative costs for the collection of all loans rather than on an individual accounting of costs of each loan.

(26) Section 428(c)(7)(A)(ii) of such act, providing for 100 percent Federal reinsurance during the first 5 years of operation of a new State student loan insurance program, is amended to correct an erroneous cross-reference.

(27) Section 428(f)(1) of such act, providing for the payment of an administrative cost allowance to State and nonprofit private student loan insurance programs, is amended to modify requirements applicable to such payments for States beginning a student loan insurance program after the date of enactment of the 1976 amendments. Under this amendment, during the first year of operation, a State need not meet the requirement that a specified percentage of their payment be utilized for administrative costs of collection of loans and administrative costs of preclaimed assistance and default prevention. In the second and third year of the operation of a new State student loan insurance program, such States are required to spend 20 percent of their payment rather than 50 percent for these purposes.

(28) Section 428(f)(2) of such act, dealing with administrative cost payments to State and private nonprofit student loan insurance programs, is amended by striking out language and correcting a cross-reference.

(29) Section 428(f)(3)(A) of such act, containing definitions, is amended to correct a punctuation error.

(30) Paragraphs (1)(A) and (2)(A) of section 528(a) of such act, setting forth requirements for a supplemental guarantee agreement, is amended to conform the eligibility of part-time students for purposes of a supplemental agreement with the eligibility of part-time students as set forth in other provisions of the act.

(31) Paragraphs (1) and (2) of section 428(a) of such act, dealing with the requirements for a supplemental guarantee agreement, is amended by adding clarifying language to provide that State insurance agencies may only insure loans made by lenders which are educational institutions located within the geographical area served by such State.

(32) Section 428(b)(5) of such act, dealing with payments made under a supplemental guarantee agreement, is modified to require that the determination of such payments be made consistent with the definition of the Commissioner's equitable share under section 428(c)(6).

(32) Section 430(a) of such act, dealing with the Commissioner's payment on defaulted loans, is amended to clarify that the Commissioner is to pay accrued interest, including interest on such loans accruing between the date of submission of the claim and the date of payment of the claim.

(34) Section 433(a)(2) of such act, setting forth limitations on institutional lenders, is amended to correct a cross-reference.

(35) Section 435(g)(1)(B) of such act, defining a pension fund, is amended to provide a correct citation to the Employee Retirement Income Security Act.

(36) Section 435(g)(3) of such act, defining the term "eligible lender," is amended to clarify that the determination with respect to a lender's default rate when that lender is an eligible institution is modified to include only loans made by that institution.

(37) Section 438 of such act, providing for the payment of a special allowance on insured loans, is amended (a) by clarifying that the amount of the special allowance is to be determined on the basis of the average unpaid principal (the Education Amendments of 1976 deleted the word "average"); (b) by clarifying that the special allowance is to be determined and paid on a quarterly basis; and (c) by correcting erroneous cross-references.

(38) Section 439(b)(1) of such act, dealing with the student loan insurance association, is amended to clarify the residency and citizenship of the Student Loan Marketing Association.

(39) Section 464(c)(2) of such act, dealing with the repayment terms of a national direct student loan is amended to delete reference to that portion of the Economic Opportunity Act of 1964 dealing with the VISTA program and to insert the Domestic Volunteer Act of 1973 which now encompasses that program.

(40) Section 493(a) of such act, providing for the expenses of student aid administration, is amended to correct the inadvertent omission of the national direct student loan program from the increase provided for administrative expenses incurred in institutionally administered student aid.

(41) Section 497A(c) of such act, dealing with fiscal eligibility of institutions participating in student aid programs, is amended to correct an erroneous cross-reference.

(42) Section 533(a)(2) of such act, providing for the training of higher education personnel, is amended to correct an erroneous cross-reference.

(43) Section 771 of such act, authorizing grants and loans for reconstruction and renovation of academic facilities, is amended by—

(a) clarifying subsection (b) to the effect that the Commissioner need not consult with other Federal agencies on every proposed reconstruction or renovation project but only to develop selection or evaluation criteria which will be applied to all projects.

(b) authorizing the Commissioner to determine the period of Federal interest in a facility which has been reconstructed or renovated with grants or loans provided under this part rather than subjecting all such facilities to an automatic 20-year period of interest.

(c) deleting that part of the section which would allow funds to be used for graduate school reconstruction or renovation grants which were allocated under section 721(b) whose requirements with this section, and substituting language (771(e)) which allows funds for such grants to be drawn from money appropriated under section 701(b), which is not in conflict with this section.

(44) Section 781 of such act, containing provisions covering the recovery of payments for the facilities grants and loan programs, is amended to make its provision for a 20-year period of Federal interest inapplicable to grants and loans made for the reconstruction and renovation of facilities under section 771. That section, as amended, provides that the Commissioner shall establish the period of Federal interest for reconstructed or renovated facilities.

Section 1(b)

(1) Section 101(b) of the Education Amendments of 1976, providing for participation of combinations of institutions in title I of the Higher Education Act, is amended by deleting an unnecessary and inappropriate conforming amendment.

(2) Paragraph (6)(a) of section 101(b) of the Education Amendments of 1976, providing for participation of combinations of institutions in title I of the Higher Education Act, is amended to correct a grammatical error.

(3) Section 123(a) of the Education Amendments of 1976, dealing with the State student incentive grant program, is amended to correct an erroneous reference to the paragraph intended to be amended.

(4) Paragraph (4) of subsection (b) amends section 127(b)(1) of the 1976 amendments which established the effective dates of the various changes to part B of title IV of the Higher Education Act. Paragraph (4) amends this section to defer the effective dates of some of the changes as follows:

(a) retains the effective dates for the changes in 425(a) and 428(b)(1) (other than the parts covered in (b) below), 427(a)(1)(C) (relating to change of address notification under FISL) and 428(b)(1)(B) (relating to aggregate loan limits);

(b) defers applicability (to loans made after February 13, 1977, for period of enrollment beginning after November 12, 1976) of changes made in sections 425(a)(1)(A) (relating to annual dollar and half-cost loan limits), 425(a)(1)(B) (relating to multiple disbursements), and 428(b)(1)(A) (i) and (ii) (also relating to annual dollar and half-cost limits and to multiple disbursements);

(c) defers applicability (to loans made after June 1, 1977), of changes made in sections 427(a)(2)(G) (relating to notification to schools of loans by lenders), 427(a)(2)(H) (relating to disbursement by check), and 428(b)(1)(N) (also notification), 428(b)(1)(O) (also disbursement by check), and 428(b)(1)(P) (relating to change of address notification).

Changes covered by (C) are deferred to June 1 because they are all changes in the law required to be stated in the notes signed by borrowers.

(5) Section 153 of the Education Amendments of 1976, dealing with teacher training programs, is amended to correct an erroneous citation.

(6) Section 162(g) of the Education Amendments of 1976, is amended to delete a paragraph duplicated elsewhere in the 1976 act.

(7) Section 181 of the 1976 Education Amendments, which revised the definition of institution of higher education, is amended by adding a proviso that directs the amendment to the definition not be interpreted so as to terminate the eligibility of any institution of higher education eligible for participation at the time of the enactment of the 1976 act.

(8) Section 343(a) of the Education Amendments of 1976, providing for the administration of guidance and counseling programs, is amended to correct an erroneous reference.

Section 1(c)

Section 604 of the National Defense Education Act of 1958, providing authorization of appropriations for the foreign studies and language development program, is amended to extend such program through fiscal year 1979, which was erroneously omitted.

Section 1(d)

Section 448 of the General Education Provisions Act, providing for a report by the Commissioner on Education on the activities of advisory councils, is amended to require the submission of such reports by June 30 of each calendar year rather than March 31 of each calendar year as is presently required.

Section 2

Section 2 provides for effective dates for the amendments contained in this bill.

Subsection (a) provides that, generally, the amendments made by the act shall take effect on October 12, 1976. The exceptions to that general provision are as follows:

(1) The amendments to part B of title IV of the Higher Education Act are to take effect as if they had been enacted as part of the Education Amendments of 1976 and will be governed by the effective date provisions of section 127(b) of the 1976 amendments, except that

(2) The amendments made by paragraph (16) (relating to the calculation of annual loan limits), paragraph (19) (relating to determinations with respect to students in foreign schools), and paragraph (20)(D) (also relating to the calculation of annual loan limits) are to take effect 30 days after enactment of this bill.

Additionally, provision is made to insure that determinations made with respect to students at foreign schools between the enactment of the 1976 amendments and the enactment of this bill shall not be invalid.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

HIGHER EDUCATION ACT OF 1965

* * * * * * *

TITLE I—COMMUNITY SERVICE AND CONTINUING EDUCATION PROGRAMS

PART A—COMMUNITY SERVICE AND CONTINUING EDUCATION PROGRAMS

* * * * * * *

SEC. 103. (a) From the sums appropriated pursuant to section 101(a) for any fiscal year which are not reserved under section 106(a), the Commissioner shall allot to each State an amount which bears the same ratio to such sums as the population of such State bears to the population of all the States, except that, for any fiscal year beginning on or after October 1, 1976, no State shall be allotted from such sums ess than the amount which such State received during the fiscal year beginning July 1, [1975] *1974*.

* * * * * * *

USES OF ALLOTTED FUNDS

SEC. 104. A State's allotment under section 103 may be used, in accordance with its State plan approved under section 105(b), to provide new, expanded, or improved community service and continuing education programs, including resource material sharing programs[,].

* * * * * * *

STATE PLANS

SEC. 105. (a) Any State desiring to receive its allotment of funds under this part for use in community service and continuing education programs, including resource material sharing programs, shall designate or create a State agency or institution which has special qualifications with respect to solving community problems and which is broadly representative of institutions of higher education in the State which are competent to offer community service and continuing education programs, including resource material sharing programs, and shall submit to the Commissioner a State plan. If a State desires

to designate for the purpose of this section an existing State agency or institution which does not meet these requirements, it may do so if the agency or institution takes such action as may be necessary to acquire such qualifications and assure participation of such institutions, or if it designates or creates a State advisory council which meets the requirements not met by the designated agency or institution to consult with the designated agency or institution in the preparation of the State plan. A State plan submitted under this part shall—

(1) * * *

* * * * * * *

(6) *provide* assurances that all institutions of higher education in the State have been given the opportunity to participate in the development of the State plan.

* * * * * * *

PART B—LIFELONG LEARNING

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LIFELONG LEARNING ACTIVITIES

SEC. 133. (a) The Assistant Secretary shall carry out, from funds appropriated pursuant to section 101(b), a program of planning, assessing, and coordinating projects related to lifelong learning. In carrying out the provisions of this section, the Assistant Secretary shall—

(1) * * *

* * * * * * *

(7) to the extent practicable, seek the advice and assistance of the agencies of the Education Division (including the Office of Education, the National Institute of Education, the Fund for the Improvement of Postsecondary Education, and the National Center for Education Statistics), other agencies of the Federal Government, public advisory groups (including the National Advisory Councils on Extension and Continuing Education, Adult Education, Career Education, Community Education, and Vocational Education), Commissions (including the National Commission on Libraries and Information Sciences and the National Commission on Manpower Policy), State agencies, and such other persons or organizations as may be appropriate, in carrying out the [Commissioner's] *Assistant Secretary's* responsibilities, and make maximum use of information and studies already available.

The review required by clause (3) of this subsection shall include—

(i) a comparative assessment of domestic and foreign tax and other incentives to encourage increased commitment of business and labor;

(ii) a study of alternatives such as lifelong learning entitlement programs or educational vouchers designed to assist adults to undertake education or training in conjunction with, or in periods alternative to employment;

(iii) review of possible modifications to existing Federal and State student assistance programs necessary to increase their relevance to the lifelong learning needs of all adults;

(iv) the organization and design of funding for pre- and post-retirement training and education for the elderly; and

(v) modifications to Federal and State manpower training, public employment, unemployment compensation, and similar funding programs so as to better facilitate lifelong education and training and retraining, for employment.

* * * * * * *

TITLE IV—STUDENT ASSISTANCE

PART A—GRANTS TO STUDENTS IN ATTENDANCE AT INSTITUTIONS OF HIGHER EDUCATION

* * * * * * *

SUBPART 1—BASIC EDUCATIONAL OPPORTUNITY GRANTS

BASIC EDUCATIONAL OPPORTUNITY GRANTS: AMOUNT AND DETERMINATIONS; APPLICATIONS

SEC. 411. (a)(1) * * *

* * * * * * *

(b)(1) The Commissioner shall from time to time set dates by which students must file applications for basic grants under this subpart.

(2) Each student desiring a basic grant for any year must file an application therefor containing such information and assurances as the Commissioner may deem necessary to enable him to carry out his functions and responsibilities under this subpart.

(3)(A) Payments under this section shall be made in accordance with regulations promulgated by the Commissioner for such purpose, in such manner as will best accomplish the purposes of this section.

(B)(i) If, during any period of any fiscal year, the funds available for payments under this subpart are insufficient to satisfy fully all entitlements under this subpart, the amount paid with respect to each such entitlement shall be—

(I) in the case of any entitlement which exceeds $1,000, 75 per centum thereof;

(II) in the case of any entitlement which exceeds $800 but does does not exceed $1,000, 70 per centum thereof;

(III) in the case of any entitlement which exceeds $600 but does not exceed $800, 65 per centum thereof; and

(IV) in the case of any entitlement which does not exceed $600, 50 per centum thereof.

(ii) If, during any fiscal year, funds available for making payments under this subpart exceed the amount necessary to make the payments prescribed in division (i), such excess shall be paid with respect to each entitlement under this subpart in proportion to the degree to which that entitlement is unsatisfied.

[(ii)] *(iii)* In the event that, at the time when payments are to be made pursuant to this subparagraph (B), funds available therefor are insufficient to pay the amounts set forth in division (i), the Commissioner shall pay with respect to each entitlement an amount which bears the same ratio to the appropriate amount set forth in division (i) as the total amount of funds so available at such time for such payments bears to the amount necessary to pay the amounts indicated in division (i) in full.

[(iii)] (*iv*) No method of computing or manner of distribution of payments under this subpart shall be used which is not consistent with this subparagraph.

[(iv)] (*v*) In no case shall a payment under this subparagraph be made if the amount of such payment after application of the provisions of this subparagraph is less than $50.

(4)(A) If, *at the end of a fiscal year*, the funds available for making payments under this subpart exceed the amount necessary to make the payments required under this subpart to eligible students by 15 per centum or less, then all of excess funds shall remain available for making payments under this subpart during the next succeeding fiscal year.

(B) If, *at the end of a fiscal year*, the funds available for making payments under this subpart exceed the amount necessary to make the payments required under this subpart to eligible students by more than 15 per centum, then all of such funds shall remain available for making such payments but payments may be made under this division only with respect to entitlements for that fiscal year.

(5) No payments may be made on the basis of entitlements established under this subpart during any fiscal year ending prior to October 1, 1979, in which—

(A) the appropriation for making grants under subpart 2 of this part does not at least equal $130,093,000; and

(B) the appropriation for work-study payments under section 441 of this title does not at least equal $237,400,000; and

(C) the appropriation for capital contributions to student loan funds under part E of this title does not at least equal $286,000,000.

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SUBPART 3—GRANTS TO STATES FOR STATE STUDENT INCENTIVES

* * * * * * *

APPLICATIONS FOR STATE STUDENT INCENTIVE GRANT PROGRAMS

SEC. 415C. (a) * * *

(b) From a State's allotment under this subpart for any fiscal year the Commissioner is authorized to make payments to such State for paying 50 percentum of the amount of student grants pursuant to a State program which—

(1) is administered by a single State agency;

(2) provides that such grants will be in amounts not in excess of $1,500 per academic year for attendance on a full-time basis as an undergraduate at an institution of higher education;

(3) provides for the selection of recipients of such grants on the basis of substantial financial need determined annually on the basis of criteria established by the State and approved by the Commissioner;

(4) provides that, effective with respect to any academic year beginning on or after [July 1, 1977] *October 1, 1978*, all nonprofit institutions of higher education in the State are eligible to participate in the State program;

(5) provides for the payment of the non-Federal portion of such grants from funds supplied by such State which represent an additional expenditure for such year by such State for grants

for students attending institutions of higher education over the amount expended by such State for such grants, if any, during the second fiscal year preceding the fiscal year in which such State initially received funds under this subpart; and

(6) provides (A) for such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of and accounting for Federal funds paid to the State agency under this subpart, and (B) for the making of such reports, in such form and containing such information, as may be reasonably necessary to enable the Commissioner to perform his functions under this subpart.

* * * * * * *

BONUS ALLOTMENTS FOR STATE STUDENT INCENTIVE GRANT PROGRAMS

SEC. 415E. Whenever the sum appropriated pursuant to this subpart for any fiscal year is in excess of $75,000,000 the Commissioner shall allot, from 33⅓ per centum of such excess sums, to each State [having an agreement under section 428(b)] *operating, through an agency of the State or through a nonprofit private institution or organization designated by a State, a program under section 428(b)* an amount which bears the same ratio to such sum as the number of students in attendance at institutions of higher education in such State bears to the total number of students in such attendance in all such States.

* * * * * * *

PART B—FEDERAL, STATE, AND PRIVATE PROGRAMS OF LOW-INTEREST INSURED LOANS TO STUDENTS IN INSTITUTIONS OF HIGHER EDUCATION

STATEMENT OF PURPOSE AND APPROPRIATIONS AUTHORIZED

SEC. 421. (a) The purpose of this part is to enable the Commissioner (1) to encourage States and nonprofit private institutions and organizations to establish adequate loan insurance programs for students in eligible institutions (as defined in section 435), (2) to provide a Federal program of student loan insurance for students or lenders who do not have reasonable access to a State or private nonprofit program of student loan insurance covered by an agreement under section 428(b), (3) to pay a portion of the interest on loans to qualified students which are made by a State under a direct loan program meeting the requirements of section 428(a)(1)(B), or which are insured under this part or under a program of a State or of a nonprofit private institution or organization which meets the requirements of section 428[(c)(1)(A)](a)(1)(C), and (4) to guarantee a portion of each loan insured under a program of a State or of a nonprofit private institution or organization which meets the requirements of section 428(a)(1)(C).

(b) For the purpose of carrying out this part—

(1) there are authorized to be appropriated to the student loan insurance fund (established by section 431) (A) the sum of $1,000,000, and (B) such further sums, if any, as may become necessary for the adequacy of the student loan insurance fund,

(2) there are authorized to be appropriated, for payments under section 428 with respect to interest on student loans and

for payments under section 437, such sums for the fiscal year ending June 30, 1966, and succeeding fiscal years, as may be required therefor,

(3) there is authorized to be appropriated the sum of $17,500,000 for making advances pursuant to section 422 for the reserve funds of State and nonprofit private student loan insurance [programs.] *programs*,

(4) there are authorized to be appropriated (A) the sum of $12,500,000 for making advances after June 30, 1968, pursuant to sections 422 (a) and (b), and (B) such sums as may be necessary for making advances pursuant to section 422(c), for the reserve funds of State and nonprofit private student loan insurance programs, and

(5) there are authorized to be appropriated such sums as may be necessary for the purpose of paying an administrative cost allowance in accordance with section 428(f) to State and nonprofit institutions and organizations with which the Commissioner has an agreement under section 428(b).

Sums appropriated under clauses (1), (2), (4), and (5) of this subsection shall remain available until expended, and sums appropriated under clause (3) of this subsection shall remain available for advances under section 422 until the close of the fiscal year ending June 30, 1968.

(c) For purposes of carrying out this part—

(1) the Commissioner shall develop and execute a plan designed to encourage the establishment of student loan insurance program by each State (*whether operated by an agency of the State or by a nonprofit private institution or organization designated by the State*) which does not have such a program covered by an agreement pursuant to section 428(b);

(2) the Commissioner shall make a report to the Congress within 180 days after the enactment of the Education Amendments of 1976, containing a description of the plan developed according to paragraph (1) accompanied by a timetable for the execution of such plan; and

(3) the Commissioner shall make a report to the Congress before June 30, 1977, which shall include—

(A) a description of the activities the Commissioner and his designees have undertaken pursuant to paragraph (1).

(B) a description of such State's plans to establish a program meeting the requirements of section 428(b), and

(C) the Commissioner's recommendations to the Congress as to what changes in law, or policy in all States without such programs.

ADVANCES FOR RESERVE FUNDS OF STATE AND NONPROFIT PRIVATE LOAN INSURANCE PROGRAMS

SEC. 422. (a)(1) * * *

* * * * * * * *

(c)(1) From sums appropriated pursuant to section 421(b)(4)(B), the Commissioner shall advance to each State which has an agreement with the Commissioner under section 428(c) with respect to a student loan insurance program, an amount determined in accordance

with paragraph (2) of this subsection to be used for the purpose of making payments under the State's insurance obligations under such program.

(2)(A) Except as provided in subparagraph (B), the amount to be advanced to each such State shall be equal to [the greater of (i) $50,000, or (ii)] 10 per centum of the principal amount *of loans made by lenders and* insured by such agency on those loans on which the first payment of principal became due during the fiscal year immediately preceding the fiscal year in which the advance is made.

(B) The amount of any advance determined according to subparagraph (A) of this paragraph shall be reduced by (i) the amount of any advance or advances made to such State pursuant to this subsection at an earlier date, and (ii) the amount of the unspent balance of the advances made to a State pursuant to subsection (a). *Notwithstanding subparagraph (A) and the preceding sentence of this subparagraph, but subject to subparagraph (D) of this paragraph, the amount of any advance to a State described in paragraph (5)(A) for the first year of its eligibility under such paragraph, and the amount of any advance to any State described in paragraph (5)(B) for each year of its eligibility under such paragraph, shall not be less than $50,000.*

(C) For purposes of subparagraph (B) the unspent balance of the advances made to a State pursuant to subsection (a) shall be that portion of the balance of the State's reserve fund (remaining at the time of the State's first request for an advance pursuant to this subsection) which bears the same ratio to such balance as the Federal advances made and not returned by such State, pursuant to subsection (a), bears to the total of all past contributions to such reserve fund from all sources (other than interest on investment of any portion of the reserve fund) contributed since the date such State executed an agreement pursuant to section 428(b).

(D) If the sums appropriated for any fiscal year for paying the amounts determined under subparagraphs (A) and (B) are not sufficient to pay such amounts in full, then such amounts shall be reduced—

(i) by ratably reducing that portion of the amount allocated to each State which exceeds $50,000; and

(ii) if further reduction is required, by equally reducing the $50,000 minimum allocation of each State.

If additional sums become available for paying such amounts for any fiscal year during which the preceding sentence has been applied, such reduced amounts shall be increased on the same basis as they were reduced.

(3) The earnings, if any, on any investments of advances received pursuant to this subsection must be used for making payments under the State's insurance obligations.

(4)(A) No repayment of any advances made pursuant to this subsection shall be required until such time as the sum of the advances under this subsection exceeds 20 per centum of the State's outstanding insurance obligation determined in accordance with subparagraph (B) of this paragraph.

(B) For purposes of this paragraph, a State's outstanding insurance obligation shall be determined by subtracting from the total principal amount of loans insured by the State since it entered into an agreement pursuant to section 428(b), the total principal amount of loans insured by such State which have been fully repaid by the borrower, the State itself, or the Commissioner, and loans which have been canceled.

(C) At such time as advances pursuant to this subsection reach the level indicated in subparagraph (A) of this paragraph, the amount of any excess shall be paid over to the Commissioner in a lump sum at the beginning of each fiscal year for deposit in the fund established by section 431.

(5) Advances pursuant to this subsection shall be made to a State—

(A) in the case of a State which is actively carrying on a program under an agreement pursuant to section 428(b) which was entered into before the effective date of this subsection, upon such date as such State may request, but not before October 1, 1977, and on the same day of each of the two succeeding calendar years after the date so requested; and

(B) in the case of a State which enters into an agreement pursuant to section 428(b) on or after the effective date of this subsection *or which is not actively carrying on a program under an agreement pursuant to such section on such date*, upon such date as such State may request, but not before October 1, 1977, and on the same day of each of the four succeeding calendar years after the date so requested of the advance.

(6)(A) If for any fiscal year a State does not have a student loan insurance program covered by an agreement made pursuant to section 428(b), and the Commissioner determines after consultation with the chief executive officer of that State that there is no reasonable likelihood that the State will have such a student loan insurance program for such year, the Commissioner may make advances pursuant to this subsection for such year for the same purpose to one or more nonprofit private institutions or organizations with which he has made an agreement pursuant to subsection (c), as well as subsection (b), of section 428 and subparagraph (B) of this paragraph in order to enable students in that State to participate in a program of student loan insurance covered by such agreements.

(B) The Commissioner may enter into an agreement with a private nonprofit institution or organization for purposes of this paragraph under which such institution or organization—

(i) agrees to establish within such State at least one office with sufficient staff to handle written and telephone inquiries from students, eligible lenders, and other persons in the State, to encourage maximum commercial lender participation within the State, and to conduct periodic visits to at least the major eligible lenders within the State,

(ii) agrees that its insurance will not be denied any student because of his choice of eligible institutions or the student's lack of need, and

(iii) certifies that it is neither an *eligible* institution, nor has any substantial affiliation with an *eligible* institution.

* * * * * * *

EFFECTS OF ADEQUATE NON-FEDERAL PROGRAMS

SEC. 423. (a) Except as provided in subsections (b) and (c), the Commissioner shall not issue certificates of insurance under section 429 to lenders in a State if he determines that every eligible institution has reasonable access in that State to a State or private nonprofit

student loan insurance program which is covered by an agreement under section 428(b).

(b) The Commissioner may issue certificates of insurance under section 429 to a lender in a State—

(1) for insurance of a loan made to a student borrower who does not, by reason of his residence, have access to loan insurance under the loan insurance program of such State (or under any private nonprofit loan insurance program which has received an advance under section 422 for the benefit of students in such State), [or]

(2) for insurance of all of the loans made to student borrowers by a lender who satisfies the Commissioner that, by reason of the residence of such borrowers, such lender will not have access to any single State or nonprofit private loan insurance program which will insure substantially all of the loans such lender intends to make to such student borrowers[.], *or*

(3) under such circumstances as may be approved by the State or nonprofit private institution or organization in such State with which the Commissioner has an agreement under section 428(b), for the insurance of a loan to a borrower for whom such lender previously was issued such a certificate if the loan covered by such certificate is not yet repaid.

(c) The Commissioner shall not deny, because of any provision of this section, a certificate of insurance under section 429 to any eligible lender which is an eligible institution if such lender has previously executed an agreement with the Commissioner pursuant to section 433 of this part, unless the Commissioner determines, based upon studies and surveys satisfactory to him, that access to a loan by all eligible students who make an active and diligent effort to obtain a loan under this part will be otherwise available. In order to carry out the provisions of the preceding sentence the Commissioner shall periodically sssess the availability of loans to eligible students through studies and surveys undertaken by him and through review of properly conducted studies and surveys made available to him.

* * * * * * *

LIMITATIONS ON INDIVIDUAL FEDERALLY INSURED LOANS AND ON FEDERAL LOAN INSURANCE

SEC. 425. (a)(1) The total of loans made to a student in any academic year or its equivalent (as determined by the Commissioner) which may be covered by Federal loan insurance under this part may not exceed $2,500 in the case of a student who has not successfully completed a program of undergraduate education, or $5,000 in the case of a graduate or professional student (as defined in regulations of the Commissioner), except—

(A) that in the case of [a loan to a student who is or will be in his first year of a program of undergraduate education] *loans to a student for his first academic year of a program of post-secondary education,* and who has not previously enrolled in such a [program which is] *program, which are* made by an eligible lender as described in section 435(g)(1)(D) or which [is] *are* made or originated (as defined in section 433(b)) by an eligible institution, [the loan] *the total of such loans* may not exceed the lesser of

$2,500 or 50 per centum of the estimated cost of attendance (calculated in accordance with the provisions of section 428(a)(2)(C)(i)),

(B) that in the case of a loan made or originated (as defined in section 433(b)) by an eligible institution which is made [to a student for his first academic year of postsecondary education] *to such a first-year student*, the loan may exceed $1,500 only if it is to be disbursed in two or more installments none of which exceeds one-half of the loan, with the interval between the first and second of such installments being not less than one-third of the period of enrollment for which the student received the loan, and

(C) in cases where the Commissioner determines, pursuant to regulations prescribed by him, that a higher amount is warranted in order to carry out the purposes of this part with respect to students engaged in specialized training requiring exceptionally high cost of education.

The annual insurable limit per student shall not be deemed to be exceeded by a line of credit under which actual payments by the lender to the borrower will not be made in any year in excess of the annual limit. *For the purpose of clause (B), all loans made within any period of 90 days shall be considered a single loan.*

(2) The aggregate insured unpaid principal amount for all such insured loans made to any student shall not at any time exceed $7,500, in the case of any student who has not successfully completed a program of undergraduate education, and $15,000 in the case of any graduate or professional student (as defined by regulations of the Commissioner and including any loans which are insured by the Commissioner under this part, or by a State or nonprofit institution or organization with which the Commissioner has an agreement under section 428(b), made to such person before he became a graduate or professional student).

* * * * * * *

ELIGIBILITY OF STUDENT BORROWERS AND TERMS OF FEDERALLY INSURED STUDENT LOANS

SEC. 427. (a) A loan by an eligible lender shall be insurable by the Commissioner under the provisions of this part only if—

(1) * * *

(2) evidenced by a note or other written agreement which—

(A) * * *

* * * * * * *

(E) provides that the lender will not collect or attempt to collect from the borrower any portion of the interest on the note which is payable by the Commissioner under this part, and that the lender will enter into such agreements with the Commissioner as may be necessary for the purposes of section [437.] *437*,

(F) entitles the student borrower to accelerate without penalty repayment of the whole or any part of the loan,

(G) provides that, in the case of each loan insured by the program, the eligible institution attended by the borrower at the time of the loan will be notified of such insur-

ance and the name of the lender making the loan, and such notification will be made either by (i) the prompt transmittal of such information to the institution by the insurer or the lender, or (ii) a requirement of the insurer, as a condition of its insurance, that the lender shall transmit any checks for the proceeds of such loan directly to the eligible institution for delivery to the [borrower;] *borrower,*

* * * * * * *

FEDERAL PAYMENTS TO REDUCE STUDENT INTEREST COSTS

SEC. 428. (a)(1) Each student who has received a loan for study at an eligible institution—

* * * * * * *

(8)(A) In the case of any eligible lender (other than an eligible institution or an agency or instrumentality of a State), which is approved by the Commissioner pursuant to subparagraph (B) of this paragraph for the purpose of authorizing multiple disbursements and which enters into a binding agreement with a student to make a loan—

(i) for which the student is entitled to have a portion of the interest paid on his behalf under this section, and

(ii) the proceeds of which loan are to be paid to the student in multiple disbursements over the period of enrollment for which the loan is made, but not to exceed twelve months,

the amount of the interest payment and the amount of any special allowance payment to be paid under section 438 shall be determined as if the entire amount to be made available for that period of enrollment had been disbursed on the date on which the first installment thereof was disbursed, and any increase in the rate of interest on the loan attributable to such multiple disbursements shall not be deemed to violate any provision of this part relating to the maximum rate of interest on such loan. The provisions of this paragraph shall apply only in the case of loans paid in multiple disbursements, in accordance with regulations of the Commissioner, based on the need of the student for the proceeds of such loan over the [course of the academic year] *period of enrollment for which the loan is made.*

(9) With respect to any loan for which *a determination must be made as to whether* a portion of the interest is payable under this section, in the case of a student attending an eligible institution which is located in other than a State, [the determinations to be made (except determinations of good standing)] *the determination to be made* and the statement to be provided by such institution under paragraph [(2)(A)(i) and] (2)(B)(ii) of this subsection shall be made and provided by (A) the Commissioner in the case of a loan described by paragraph (1)(A), (B) the State in the case of a loan described by paragraph (1)(B), or (C) the State or a nonprofit private institution or organization as the case may be, in the case of a loan described by paragraph (1)(C).

(b)(1) Any State or any nonprofit private institution or organization may enter into an agreement with the Commissioner for the purpose of entitling students who receive loans which are insured under a student loan insurance program of that State, institution, or organization to have made on their behalf the payments provided for in

subsection (a) if the Commissioner determines that the student loan insurance program—

(A) authorizes the insurance *in any academic year or its equivalent (as determined under regulations of the Commissioner)* of not less than $1,000 nor more than $2,500 in the case of a student who has not successfully completed a program of undergraduate education, or $5,000 in the case of a graduate or professional student (as defined in regulations of the Commissioner), except—

(i) that the program may not authorize the insurance of [a loan which is made] *loans which are made* by an eligible lender as described in section 435(g)(1)(D) or which [is] *are* made or originated (as defined in section 433(b)) by an eligible institution to a student [who has not successfully completed a program of undergraduate education in an amount in excess] *for his first academic year of a program of postsecondary education, and who has not previously enrolled in such a program, in an amount in excess of the lesser* of $2,500 or 50 per centum of the estimated cost of attendance (calculated in accordance with section 428(a)(2)(C)(i)),

(ii) that the program may not authorize the insurance of a loan in excess of $1,500 for an academic year which is made or originated (as defined in section 433(b)) by an eligible institution, and is made [to a student for his first academic year of postsecondary education] *to such a first-year student*, unless the loan is to be disbursed in two or more installments, none of which exceeds one-half of the loan, with the interval between the first and second of such installments being not less than one-third of the period of enrollment for which the student received the loan, and

(iii) in cases where the Commissioner determines, pursuant to regulations prescribed by him, that a higher amount is warranted in order to carry out the purposes of this part with respect to students engaged in specialized training requiring exceptionally high costs of education,

but the annual insurable limit per student shall not be deemed to be exceeded by a line of credit under which actual payments by the lender to the borrower will not be made in any years in excess of the annual limit, *and all loans issued within any period of 90 days shall be considered as a single loan for purposes of division (ii);*

* * * * * * *

(O) provides that funds borrowed by a student are disbursed by check payable to the order and requiring the endorsement of such student; *and*

[(P) provides that the borrower shall, within four months after ceasing to carry at an eligible institution at least one-half the normal full-time academic workload as determined by the institution, contact the holder of his loan to negotiate the terms of his repayment obligations, and]

[Q] *(P)* requires the borrower to promptly notify the holder of the loan concerning any change of address.

(2) Such an agreement shall—

(A) provide that the holder of any such loan will be required to submit to the Commissioner, at such time or times and in such manner as he may prescribe, statements containing such informa-

tion as may be required by or pursuant to regulation for the purpose of enabling the Commissioner to determine the amount of the payment which he must make with respect to that loan;

(B) include such other provisions as may be necessary to protect the financial interests of the United States and promote the purposes of this part, including such provisions as may be necessary for the purpose of section 437, and as are agreed to by the Commissioner and the State or nonprofit private organization or institution, as the case may be; and

(C) provide for making such reports, in such form and containing such information, as the Commissioner may reasonably require to carry out his function under this part, and for keeping such records and for affording such access thereto as the Commissioner may find necessary to assure the correctness and verification of such reports.

(c)(1)(A) The Commissioner may enter into a guaranty agreement with any State or any nonprofit private institution or organization with which he has an agreement pursuant to subsection (b), whereby the Commissioner shall undertake to reimburse it, under such terms and conditions as he may establish, with respect to losses (resulting from the default of the student borrower) on the unpaid balance of the principal and accrued interest of any insured loan with respect to which a portion of the interest is payable by the Commissioner under subsection (a), or would be payable under such subsection but for the borrower's lack of need. Except as provided in subparagraph (B) of this paragraph and in paragraph (7), the amount to be paid a State or nonprofit private institution or organization as reimbursement under this subsection shall be equal to 80 per centum of the amount expended by it in discharge of its insurance obligation incurred under its loan insurance program.

(B) Any State or any nonprofit private institution or organization which has entered into a supplementary agreement under section 428A of this Act whereby the Commissioner agrees to reimburse the State or nonprofit private institution or organization, under such terms and conditions as he may establish, with respect to losses (resulting from the default of the student borrower) on the unpaid balance of the principal and accrued interest of any such insured loan in an amount equal to 100 per centum of the amount expended by it in the discharge of its insurance obligation incurred under its loan insurance program, except that—

(i) if, for any fiscal year, the amount of such reimbursement payments by the Commissioner under this subsection exceeds 5 per centum of the loans which are insured by such institution or organization under such program and which were in repayment at the end of the preceding fiscal year, the amount to be paid as reimbursement under this subsection for such excess shall be equal to 90 per centum of the amount of such excess; and

(ii) if, for any fiscal year, the amount of such reimbursement payments, exceed 9 per centum of such loans, the amount to be paid as reimbursement under this subsection for such excess shall be equal to 80 per centum of the amount of such excess.

(C) For purposes of this subsection, the amount of loans of a State or nonprofit private institution or organization which are in repayment shall be the original principal amount of loans [insured by it]

made by a lender which are insured by such an institution or organization reduced by (i) the amount the insurer has been required to pay to discharge its insurance obligations under this part, (ii) the original principal amount of loans insured by it which have been fully repaid, *and* (iii) the original principal amount insured on those loans for which payment of the first installment of principal has not become due pursuant to section 428(b)(1)(E) or such first installment need not be paid pursuant to section 428(b)(1)(M)[, and (iv) the original principal amount of loans repaid by the Commissioner under section 437].

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(5) In the case of any guaranty agreement [entered into prior to September 1, 1969], with a State or nonprofit private institution or organization with which the Commissioner has [in effect on that date an agreement pursuant to subsection (b) of this section, or section 9(b) of the National Vocational Student Loan Insurance Act of 1965, made prior to the date of enactment of this subsection, the Commissioner may] *an agreement pursuant to subsection (b) of this section, the Commissioner may*, in accordance with the terms of this subsection, undertake to guarantee loans described in paragraph (1) which are insured by such State, institution, or organization and are outstanding on the date of execution of the guaranty agreement, but only with respect to defaults occurring after the execution of such guaranty agreement or, if later, after its effective date.

(6)(A) For the purpose of paragraph (2)(D) *and for the purpose of section 428A(b)(5)* the Commissioner's equitable share of payments made by the borrower [pursuant to such paragraph] shall be that portion of the payments remaining after the State or the nonprofit private institution or organization with which the Commissioner has an agreement under this subsection has deducted from such payments (i) a percentage amount equal to the complement of the reinsurance percentage in effect when payment under the guaranty agreement was made with respect to the loan and (ii) an amount equal to the administrative costs of collection [of the loan] *of loans reimbursed under this subsection* and the administrative costs of preclaims assistance for default prevention (as such terms are defined in subparagraph (B) of this subsection) [reimbursed pursuant to subsection (f)], to the extent such costs do not exceed 30 per centum of such payments *and have not been reimbursed under subsection (f)*.

(B) For the purpose of this paragraph, the term—

(i) "administrative costs of collection of [the loan] *loans*" means any administrative costs incurred by a guaranty agency which are directly related to the collection of the loan on which a default claim has been paid to the participating lender, including the attributable compensation of collection personnel (and in the case of personnel who perform several functions for such an agency only the portion of compensation attributable to the collection activity), attorney's fees, fees paid to collection agencies, postage, equipment, supplies, telephone and similar charges, but does not include the overhead costs of such agency whether or not attributable and

(ii) "administrative costs of preclaim assistance for default prevention" means any administrative costs incurred by a guaranty agency which are directly related to providing collection assistance to the lender on a delinquent loan, prior to the loan's

being legally in a default status, including the attributable compensation of appropriate personnel (and in the case of personnel who perform several functions for such an agency only the portion of compensation attributable to the collection activity), fees paid to locate a missing borrower, postage, equipment, supplies, telephone and similar charges, but does not include the overhead costs of such agency whether or not attributable.

subject to such additional criteria as the Commissioner may by regulation prescribe.

(7)(A) Notwithstanding paragraph (1)(B), the amount to be paid a State or a nonprofit private institution or organization for any fiscal year—

(i) which begins on or after the effective date of this paragraph; and

(ii) which is either the fiscal year in which such State, institution, or organization begins to actively carry on a student loan insurance program which is subject to a guarantee agreement under [this subsection] *subsection (b) of this section*, or is one of the four succeeding fiscal years,

shall be 100 per centum of the amount expended by such State organization, or institution in discharge of its insurance obligation insured under such program.

(B) The Commissioner shall continuously monitor the operations of those States and nonprofit private institutions or organizations to which the provisions of subparagraph (A) are applicable and revoke the application of such subparagraph to any such State or nonprofit private institution or organization which he determines has not exercised reasonable prudence in the administration of such program.

* * * * * * *

(f)(1)(A) The Commissioner is authorized to make payments in accordance with the provisions of this paragraph to any State or any nonprofit private institution or organization with which he has an agreement under subsection (b) of this section, for the purposes of—

(i) the administrative costs of promotion of commercial lender participation;

(ii) the administrative costs of collection of loans;

(iii) the administrative costs of preclaims assistance for default prevention; or

(iv) other such costs related to the student loan insurance program subject to such agreement.

The total amount of payments for any fiscal year made under this paragraph shall not exceed one-half of 1 per centum of the total principal amount of the loans upon which insurance was issued under this part during such fiscal year by such State, or institution or organization. If the sums appropriated for any fiscal year for making payments under this paragraph are not sufficient to pay in full the amounts provided for which such States, institutions, and organizations are eligible, then such amount will be ratably reduced. In case additional funds become available for making payments for any fiscal year during which the preceding sentence has been applied, such reduced amounts shall be increased on the same basis as they were reduced.

(B) [Each] *Except as provided in subparagraph (C), each* State or nonprofit institution or organization to which subparagraph (A) of

this paragraph applies shall spend not less than ¼ of the payments received pursuant to this paragraph on the purposes described in clause (i) or subparagraph (A), not less than ½ of such payments on the purposes described in clauses (ii) and (iii) of subparagraph (A), and the remaining amount of such payments on the purpose described in clause (iv) of such subparagraph.

(C) For any State which is eligible to receive a reserve fund advance under section 422(c)(5)(B), the spending minimum required by subparagraph (B) with respect to purposes described in clauses (ii) and (iii) of subparagraph (A) shall, for the first year of such eligibility, not be applicable and shall, for the second and third years of such eligibility, be an amount equal to 20 per centum of the payments received under this paragraph.

(2)[(A)] The Commissioner is authorized to make payments in accordance with the provisions of this paragraph to any State or any nonprofit private institution or organization with which he has a supplemental guaranty agreement under section 428A(a)(2) of this Act for the purposes of—

(i) the administrative costs of promotion of commercial lender participation;

(ii) the administrative costs of collection of loans;

(iii) the administrative costs of preclaims assistance for default prevention; or

(iv) other such costs related to the student loan insurance program subject to such agreement.

The total amount of payments for any fiscal year made under this paragraph shall not exceed an additional one-half of 1 per centum of the total principal amount of the loans upon which insurance was issued under this part during such fiscal year by such State, or institution or organization. If the sums appropriated for any fiscal year for making payments under this paragraph are not sufficient to pay in full the amounts provided for which such States, institutions, and organizations are eligible, then such amount will be ratably reduced. In case additional funds become available for making payments for any fiscal year during which the preceding sentence has been applied, such reduced amounts shall be increased on the same basis as they were reduced.

[(B) The provisions of subparagraph (B) of paragraph (1) shall apply to any payments made under subparagraph (A) of this paragraph.]

(3) For the purpose of this subsection, the term—

(A) "administrative costs of promotion of commercial lender participation" means any administrative costs incurred by an insurer which are directly related to supervising, training, or informing eligible lenders or prospective eligible lenders or inducing such lenders to improve or expand their program participation, and such costs may include (i) the costs of planning and executing instructional seminars and the costs of attending other meetings with lenders, (ii) the costs of obtaining or producing instructional or promotional materials or equipment for distribution to, or use with, lenders, (iii) postage costs associated with the distribution of instructional or promotional materials to lenders, (iv) an appropriate share of the costs of establishing branch offices to serve the

needs of lenders which are geographically distant from such insurer's primary business location, and (v) an appropriate share of the compensation of personnel whose primary responsibility is the training, supervising, or recruiting of lenders, but not including personnel whose primary responsibilities are the performing or supervising such duties as relate to the routine processing of borrower applications for loans or the maintenance of supporting records but in no case shall any such costs include any overhead expenses of such insurer associated with the insurer's primary business [location.] *location,*

* * * * * * *

LOAN INSURANCE SUPPLEMENTAL GUARANTY AGREEMENT

SEC. 428A. (a)(1) The Commissioner may enter into a supplemental guaranty agreement, annually, with any State or any nonprofit private institution or organization having a guaranty agreement under section 428(c)(1) whereby the Commissioner shall undertake to reimburse the State or nonprofit private institution or organization, under such terms and conditions as he may establish, in an amount determined in accordance with section 428(c)(1)(B), if the Commissioner determines that the student loan insurance program—

(A) authorizes the insurance of loans in any amount up to a maximum of $2,500 (in the case of a student who has not successfully completed a program of undergraduate education) or $5,000 (in the case of a graduate or professional student) to any individual student *who is carrying at an eligible institution at least one-half the normal full-time academic workload (as determined under regulations of the Commissioner)* in any academic year or its equivalent (as determined under regulations of the Commissioner), which limit shall not be deemed exceeded by a line of credit under which actual payments by the lender to the borrower will not be made in any such year in excess of such annual limit; and provides that the aggregate insured unpaid principal amount of all such insured loans made to any student shall be any amount up to a maximum of $7,500 in the case of any student who has *not* successfully completed a program of undergraduate education, and $15,000 in the case of any graduate or professional student (as defined by regulations of the Commissioner and including any loans which are insured by the Commissioner under this part, or by a State or nonprofit institution or organization with which the Commissioner has an agreement under this part, made to such person before he became a graduate or professional student);

(B) insures not less than 100 per centum of the unpaid principal of the loans insured under the program, whether or not such loans are eligible for interest subsidies under this part;

[(C) provides for the insurance of loans for part-time study at an eligible institution in the same manner as is provided under the Federal student loan insurance program;]

(C) with respect to lenders which are eligible institutions, provides for the insurance of loans by only such institutions as are located within the geographic area served by such State or nonprofit private institution or organization;

* * * * * * *

(2) The Commissioner may enter into a supplemental guaranty agreement, annually, with any State or any nonprofit private institution or organization having a guaranty agreement under section 428(c)(1) for the purpose of qualifying such State or nonprofit private institution or organization for payment of administrative cost allowances under section 428(f)(2) if the Commissioner determines that the student loan insurance program—

(A) authorizes the insurance of loans in any amount up to a maximum of $2,500 (in the case of a student who has not successfully completed a program of undergraduate education) or $5,000 (in the case of a graduate or professional student) to any individual student *who is carrying at an eligible institution at least one-half the normal full-time academic workload (as determined under regulations of the Commissioner)* in any academic year or its equivalent (as determined under regulations of the Commissioner), which limit shall not be deemed exceeded by a line of credit under which actual payments by the lender to the borrower will not be made in any such year in excess of such annual limit; and provides that the aggregate insured unpaid principal amount of all such insured loans made to any student shall be any amount up to a maximum of $7,500 in the case of any student who has *not* successfully completed a program of undergraduate education, and $15,000 in the case of any graduate or professional student (as defined by regulations of the Commissioner and including any loans which are insured by the Commissioner under this part, or by a State or nonprofit institution or organization with which the Commissioner has an agreement under this part, made to such person before he became a graduate or professional student);

(B) insures not less than 100 per centum of the unpaid principal of the loans insured under the program, whether or not such loans are eligible for interest subsidies under this part;

[(C) provides for the insurance of loans for part-time study at an eligible institution in the same manner as is provided under the Federal student loan insurance program;]

(C) with respect to lenders which are eligible institutions, provides for the insurance of loans by only such institutions as are located within the geographic area served by such State or nonprofit private institution or organization;

* * * * * * *

(b) Each supplemental guaranty agreement entered into under subsection (a)—

(1) * * *

* * * * * * *

(5) shall provide that if, after the Commissioner has made payment under the supplemental guaranty agreement pursuant to this section with respect to any loan, any payments are made in discharge of the obligation incurred by the borrower with respect to such loan (including any payments of interest accruing on such loan after such payment by the Commissioner), there shall be paid over to the Commissioner (for deposit in the fund established by section 431) such portion of the amount of such payments as is determined (in accordance with regulations prescribed by the

Commissioner *consistent with section 428(c)(6)*) to represent his equitable share thereof, but shall not otherwise provide for subrogation of the United States to the rights of any insurance beneficiary: *Provided*, That, except as the Commissioner may otherwise by or pursuant to regulation provide, amounts so paid by a borrower on such a loan shall be first applied in reduction of principal owing on such loan; and

* * * * * * *

DEFAULT OF STUDENT UNDER FEDERAL LOAN INSURANCE PROGRAM

SEC. 430. (a) Upon default by the student borrower on any loan covered by Federal loan insurance pursuant to this part, and prior to the commencement of suit or other enforcement proceedings upon security for that loan, the insurance beneficiary shall promptly notify the Commissioner, and the Commissioner shall if requested (at that time or after further collection efforts) by the beneficiary, or may on his own motion, if the insurance is still in effect, pay to the beneficiary the amount of the loss sustained by the insured upon that loan as soon as that amount has been determined. The "amount of the loss" on any loan shall, for the purposes of this subsection and subsection (b), be deemed to be an amount equal to the unpaid balance of the principal amount and [interest accrued] *accrued interest, including interest accruing* from the date of submission of a valid default claim (as determined by the Commissioner) to the date on which payment is authorized by the Commissioner, reduced to the extent required by section 425(b). Such beneficiary shall be required to meet the standards of due diligence in the collection of the loan.

* * * * * * *

INSTITUTIONAL LENDERS

SEC. 433. (a)(1) An eligible institution may not act as an eligible lender or originate loans under this part unless it has in effect an agreement with the Commissioner under which it agrees (A) to make such loans to no more than 50 per centum of the students in attendance at the institution who are not graduate or professional students (as defined in regulations of the Commissioner), and (B) that it will not make such a loan under this part to a student, other than a graduate or professional student (as defined in regulations of the Commissioner), who has not previously received a loan from such institution until such student has provided the institution with either (i) a statement from an eligible lender (other than an eligible institution or a State or an agency of a State or a private nonprofit agency designated by a State) that the borrower sought a loan from it and was denied such loan, or (ii) a sworn statement by the borrower that the lender from which he sought such a loan declined to provide the statement described in clause (i).

(2) Whenever the Commissioner determines that the termination of the eligible institution's status as a lender under *clause (A) of* paragraph (1) would be a hardship to the present or prospective students of the eligible institution after considering the management of that institution, the opportunities that institution provides to economically disadvantaged students, and related factors, the Com-

missioner shall waive the provisions of such paragraph with respect to that institution.

* * * * * * *

DEFINITIONS FOR STUDENT LOAN INSURANCE PROGRAM

SEC. 435. As used in this part:

(a) * * *

* * * * * * *

(g)(1) Except as provided in paragraphs (2), (3), and (4), the term "eligible lender" means—

(A) a National or State chartered bank, a mutual savings bank, a savings and loan association, or a credit union which—

(i) is subject to examination and supervision by an agency of the United States or of the State in which its principal place of operation is established, and

(ii) does not have as its primary consumer credit function the making or holding of loans made to students under this part unless it is a bank which is wholly owned by a State;

(B) a pension fund as defined in the [Employees] *Employee* Retirement Income Security Act;

(C) an insurance company which is subject to examination and supervision by an agency of the United States or a State;

(D) in any State, a single agency of the State or a single nonprofit private agency designated by the State;

(E) an eligible institution which meets the requirements of paragraphs (2), (3), and (4) of this subsection and which has signed an agreement pursuant to section 433; and

(F) for purposes only of purchasing and holding loans made by other lenders under this part, the Student Loan Marketing Association or an agency of any State functioning as a secondary market.

(2) To be an eligible lender under this part, an eligible institution—

(A) shall employ at least one person whose full-time responsibilities are limited to the administration of programs of financial aid for students attending such institution; and

(B) shall not be a home study school.

(3) The term "eligible lender" does not include any eligible institution in any fiscal year immediately after the fiscal year in which the Commissioner determines, after notice and opportunity for a hearing, that for each of two consecutive years 15 per centum or more of the [amount of the loan described in section 428(a)(1) made] *total amount of such loans as are described in section 428(a)(1) made by the institution* with respect to students at that institution and repayable in each such year is in default, as defined in section 430(e)(2).

(4) Whenever the Commissioner determines that—

(A) there is reasonable possibility that an eligible institution may, within one year after a determination is made under paragraph (3), improve the collection of loans described in section 428(a)(1), so that the application of paragraph (3) would be a hardship to that institution, or

(B) the termination of the lender's status under paragraph (3) would be a hardship to the present or for prospective students of the eligible institution, after considering the management of that

institution, the ability of that institution to improve the collection of loans, the opportunities that institution offers to economically disadvantaged students, and other related factors,

the Commissioner shall waive the provisions of paragraph (3) with respect to that institution. Any determination required under this paragraph shall be made by the Commissioner prior to the termination of an eligible institution as a lender under the exception of paragraph (3). Whenever the Commissioner grants a waiver pursuant to this paragraph he shall provide technical assistance to the institution concerned in order to improve the collection rate of such loans.

* * * * * * *

SPECIAL ALLOWANCES

SEC. 438. (a) * * *

(b)(1) A special allowance shall be paid for each of the three-month periods ending March 31, June 30, September 30, and December 31 of every year and the amount of such allowance paid to any holder with respect to any three-month period shall be a percentage of the *average* unpaid balance of [disbursed] principal (not including unearned interest added to principal) of all eligible loans held by such holder during such period.

(2)(A) Subject to subparagraphs (B) and (C) and paragraph (4), the special allowance paid pursuant to this subsection shall be computed (i) by determining the average of the bond equivalent rates of the ninety-one-day Treasury bills auctioned for such three-month period, (ii) by subtracting 3.5 per centum from such average, [and] (iii) by rounding the resultant per centum upward to the nearest one-eighth of 1 per centum *and (iv) by dividing the resultant per centum by four.*

(B) Except as provided in paragraph (4), if the special allowance computed according to subparagraph (A) would (i) cause the special allowance for any twelve-month period during the period ending September 30, 1977, to exceed 3 per centum, the special allowance rate to be paid for such period shall be reduced to the highest one-eighth of 1 per centum rate interval which would not cause such excess.

(C) Except as provided in [subparagraph] *paragraph* (4), if the special allowance computed according to subparagraph (A) would (i) cause the special allowance for any twelve-month period after October 1, 1977, to exceed 5 per centum, the special allowance rate to be paid for such period shall be reduced to the highest one-eighth of 1 per centum rate which would not cause such excess.

(3) Subject to paragraph (4) the special allowance determined for any such three-month period shall be payable at such time, after the close of such period, as may be specified by or pursuant to regulations promulgated under this section. The holder of a loan with respect to which any such allowance is to be paid shall be deemed to have a contractual right, as against the United States, to receive such allowance from the Commissioner.

(4)(A) If payment of the special allowance payable under this section or of interest payments under section 428(a) with respect to a loan have not been made within thirty days after the Commissioner has received an accurate, timely, and complete request for payment thereof, the special allowance payable to such holder shall be increased by an amount equal to the daily interest accruing on the special allowance and interest benefits payments due the holder.

(B) Such daily interest shall be computed at the daily equivalent rate of the special allowance rate computed pursuant to paragraph [(3)] (2) plus 7 per centum and shall be paid for the later of (i) the thirty-first day after the receipt of such request for payment from the holder, or (ii) the thirty-first day after the final day of the period or periods covered by such request, and shall be paid for each succeeding day until, and including, the date on which the Commissioner authorizes payment.

(C) For purposes of reporting to the Congress the amounts of special allowances paid under this section, amounts of special allowances paid pursuant to this [subparagraph] *paragraph* shall be segregated and reported separately.

(5) As used in this section, the term "eligible loan" means a loan which is insured under this part, or made under a program covered by an agreement under section 428(b) of this Act.

[(b)] (6) The Commissioner shall pay the holder of an eligible loan, at such time or times as are specified in regulations, a special allowance prescribed pursuant to [subsection (a)] *this subsection*, subject to the condition that such holder shall submit to the Commissioner, at such time or times and in such manner as he may deem proper, such information as may be required by regulation for the purpose of enabling the Secretary and the Commissioner to carry out their functions under this section and to carry out the purposes of this section.

(c) The Commissioner shall adopt or amend appropriate regulations pertaining to programs carried on under this part to prevent, where practicable, any practices which he finds have denied loans to a substantial number of students. Regulations issued under section 2(a)(6)(B)(ii) of the Emergency Insured Student Loan Act of 1969 shall remain in effect until superseded or amended under this subsection, but no payments shall be made under such Act after the effective date of this section.

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STUDENT LOAN MARKETING ASSOCIATION

SEC. 439. (a) * * *

(b)(1) There is hereby created a body corporate to be known as the Student Loan Marketing Association (hereinafter referred to as the "Association"). The Association shall have succession until dissolved. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue and jurisdiction in civil actions, to be a resident *and citizen* thereof. Offices may be established by the Association in such other place or places as it may deem necessary or appropriate for the conduct of its business.

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PART E—DIRECT LOANS TO STUDENTS IN INSTITUTIONS OF HIGHER EDUCATION

* * * * * * *

TERMS OF LOANS

SEC. 464. (a)(1) * * *

* * * * * * *

(c)(1) * * *

(2)(A) No repayment of principal of, or interest on, any loan from a student loan fund assisted under this part shall be required during any period in which the borrower—

(i) is carrying at least one-half the normal full-time academic workload at an institution of higher education or at a comparable institution outside the United States which is approved for this purpose by the Commissioner;

(ii) is a member of the Armed Forces of the United States;

(iii) is in service as a volunteer under the Peace Corps Act; or

(iv) is in service as a volunteer under [title VIII of the Economic Opportunity Act of 1964] *the Domestic Volunteer Act of 1973*.

The period during which repayment may be deferred by reason of clause (ii), (iii) or (iv) shall not exceed three years.

(B) Any period during which repayment is deferred under subparagraph (A) shall not be included in computing the ten-year maximum period provided for in clause (A) of paragraph (1).

* * * * * * *

EXPENSES OF ADMINISTRATION

SEC. 493. (a) An institution which has entered into an agreement with the Commissioner under part A [or C], *C, or E* of this title shall be entitled for each fiscal year for which it receives an allotment under either such part to a payment in lieu of reimbursement for its expenses during such fiscal year in administering programs assisted under such part. The payment for a fiscal year (1) shall be payable from each such allotment in accordance with regulations of the Commissioner, and (2) shall (except as provided in subsection (b)) be an amount equal to 3 per centum of (A) the institution's expenditures during the fiscal year from its allotment under part A plus (B) its expenditures during such fiscal year under part C for compensation of students.

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PART F—GENERAL PROVISIONS RELATING TO STUDENT ASSISTANCE PROGRAMS

Subpart 1—General Provisions

* * * * * * *

FISCAL ELIGIBILITY OF INSTITUTIONS

SEC. 497A. (a) Notwithstanding any other provisions of this title, or of section 434(c) of the General Education Provisions Act, the Commissioner is authorized to prescribe such regulations as may be necessary to provide for—

(1) a fiscal audit of an eligible institution with regard to any funds obtained by it under this title or obtained from a student who has a loan insured or guaranteed by the Commissioner under this title;

(2) the establishment of reasonable standards of financial responsibility and appropriate institutional capability for the administration by an eligible institution of a program of student financial aid under this title;

(3) the establishment by each eligible institution under part B responsible for furnishing to the lender the statement required by section 428(a)(2)(A)(i), of policies and procedures by which the latest known address and enrollment status of any student who has had a loan insured under this part and who has either formally terminated his enrollment, or failed to re-enroll on at least a half-time basis, at such institution, shall be furnished either to the holder (or if unknown, the insurer) of the note, not later than sixty days after such termination or failure to re-enroll; and

(4) the limitation, suspension or termination of the eligibility for any program under this title of any otherwise eligible institution, whenever the Commissioner has determined, after reasonable notice and opportunity for hearing on the record, that such institution has violated or failed to carry out any provision of this title or any regulation prescribed under this title, except that no period of suspension under this section shall exceed sixty days unless the institution and the Commissioner agree to an extension or unless limitation or termination proceedings are initiated by the Commissioner within that period of time.

(b) The Commissioner shall, for the purpose of carrying out the provisions of this section with respect to subpart 1 of part A of this title, enter into special arrangements with institutions of higher education at which students receiving basic grants under that subpart are enrolled. The Commissioner shall include special provisions designed to carry out the provisions of this section in agreements with institutions of higher education under section 413C, in agreements with eligible institutions under section 443, and in agreements with institutions of higher education under section 463.

(c) Upon determination that an eligible institution has engaged in substantial misrepresentation of the nature of its educational program, its financial charges, or the employability of its graduates, the Commissioner may suspend or terminate the eligibility status for any or all programs under this title of any otherwise eligible institution, in accordance with procedures specified in [paragraph (a)(3)] *subsection (a)(4)*, until he finds that such practices have been corrected.

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TITLE V—TEACHER CORPS AND TEACHER TRAINING PROGRAMS

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PART B—TEACHER TRAINING PROGRAMS

* * * * * * *

TRAINING FOR HIGHER EDUCATION PERSONNEL

SEC. 533. (a) The Commissioner is authorized to make grants to institutions of higher education to assist such institutions in the training of individuals—

(1) preparing to serve as teachers, including guidance and counseling personnel, administrative personnel, or education specialists in institutions of higher education if such individuals are (A) from cultural or educational backgrounds which have hindered such individuals in achieving success in the field of education, or (B) preparing to serve in educational programs

designed to meet the special needs of students from such backgrounds; or

(2) serving as teachers, including guidance and counseling personnel, administrative personnel, or education specialists in institutions of higher education, if such individuals are to be trained to meet changing personnel needs, such as in areas determined to be national priority areas pursuant to section [532 of this title] *406(d)(1)(D) of the General Education Provisions Act.*

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TITLE VII—CONSTRUCTION, RECONSTRUCTION AND RENOVATION OF ACADEMIC FACILITIES

* * * * * * *

PART E—RECONSTRUCTION AND RENOVATION

SEC. 771. (a) The Commissioner is authorized to make grants from funds appropriated under section 701(b), [grants from funds appropriated under section 721(b),] loans from funds appropriated under section 741(b), or loans, to the extent provided in advance by appropriations Acts, from any unused amounts in the fund established under section 744, notwithstanding any prior restrictions on the use of such unused amounts, to institutions of higher education and to higher education building agencies for the reconstruction or renovation of academic facilities if the primary purpose of such reconstruction or renovation is—

(1) to enable such institutions to economize on the use of energy resources, or

(2) to enable such institutions to bring their academic facilities into conformity with the requirements of—

(A) the Act of August 12, 1968, commonly known as the Architectural Barriers Act of 1968, or

(B) environmental protection or health and safety programs mandated by Federal, State or local law, if such requirements were not in effect at the time such facilities were constructed.

(b)(1) In *establishing criteria for* determining whether the primary purpose of a proposed reconstruction or renovation is to conserve energy, the Commissioner shall consult with other Federal agencies which have specific expertise in energy conservation.

(2) In *establishing criteria for* determining whether the primary purpose of a proposed reconstruction or renovation is to enable such facility to meet environmental protection standards or health or safety requirements imposed under law, the Commissioner shall consult with the appropriate Federal, State or local agency responsible for the administration of such law.

(3) In *establishing criteria for* determining whether the primary purpose of a proposed reconstruction or renovation is to enable such facility to comply with the Act of August 12, 1968, the Commissioner shall consult with the Architectural and Transportation Barriers Compliance Board and the Administrator of General Services.

(c) A loan pursuant to this section shall be repaid within such period not exceeding twenty years as may be determined by the Commissioner.

(d) Grants and loans awarded for the purposes of this part shall not be subject to the provisions of subsections (a) and (b) of section 781. The Commissioner shall, with respect to each such grant or loan, determine the period which shall be deemed to be the period of Federal interest in the facility reconstructed or renovated. If, within such period, such facility ceases to be used as an academic facility, the United States shall recover from the applicant (or its successor in title or possession) an amount representing the depreciated value of the improvements made with such grant or loan, determined in accordance with the procedures set forth in the last sentence of section 781(b).

(e) Funds appropriated under section 701(b) available for grants under this part may be used for graduate and undergraduate facilities and may be used without regard to whether such funds will increase or create enrollment capacity, health care capacity, or capacity to carry out extension and containing education programs.

PART F—GENERAL

RECOVERY OF PAYMENTS

SEC. 781. (a) The Congress hereby finds and declares that, if a facility constructed, [reconstructed or renovated] with the aid of a grant or grants under part A or B of this title is used as an academic facility for twenty years following completion of such construction[, reconstruction, or renovation], the public benefit accruing to the United States from such use will equal in value the amount of such grant or grants. The period of twenty years after completion of such construction[, reconstruction, or renovation], shall therefore be deemed to be the period of Federal interest in such facility for the purposes of this title.

(b) If, within twenty years after completion of construction[, reconstruction, or renovation], of an academic facility which has been constructed, [reconstructed or renovated] in part with a grant or grants under part A or B of this title—

(1) the applicant (or its successor in title or possession) ceases or fails to be a public or nonprofit institution, or

(2) the facility ceases to be used as an academic facility, or the facility is used as a facility excluded from the term "academic facility", unless the Secretary determines that there is good cause for releasing the institution from its obligation.

the United States shall be entitled to recover from such applicant (or successor) an amount which bears to the then value of the facility (or so much thereof as constituted an approved project or projects) the same ratio as the amount of such Federal grant or grants bore to the development cost of the facility financed with the aid of such grant or grants. Such value shall be determined by agreement of the parties or by action brought in the United States district court for the district in which such facility is situated.

(c) Notwithstanding the provisions of subsections (a) and (b), no facility constructed, reconstructed or renovated with assistance under this title shall ever be used for religious worship or a sectarian activity or for a school or department of divinity.

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EDUCATION AMENDMENTS OF 1976

TITLE I—HIGHER EDUCATION

PART A—COMMUNITY SERVICES AND CONTINUING EDUCATION

EXTENSION AND REVISION OF PROGRAM

SEC. 101. (a) * * *

(b) Title I of such Act is amended—

(1)(A) * * *

* * * * * * *

[(5)(A) by inserting "or combination" after "and institution" in section 105(a)(2); and]

[(B)] *(5)* by striking out "community service programs" each place it appears in such section and inserting in lieu thereof "community service and continuing education programs, including resource materials sharing programs,";

(6)(A) by inserting "and combinations thereof" immediately after "[institution] *institutions* of higher education" each place it appears in section 105(a)(3);

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PART D—STUDENT ASSISTANCE

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STATE STUDENT INCENTIVE GRANTS

SEC. 123. (a) Section 415A(b) of the Act is amended by striking out "July 1, 1975" and inserting in lieu thereof "October 1, 1979", and by [adding at the end thereof the following new paragraph:] *amending paragraph (3) to read as follows:*

"(3) Sums appropriated pursuant to paragraphs (1) and (2) for any fiscal year shall remain available for payments to States for the award of student grants under this subpart until the end of the fiscal year succeeding the fiscal year for which such sums were appropriated.".

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FEDERAL AND STATE INSURED LOAN PROGRAMS

SEC. 127. (a) * * *

(b) The amendment made by subsection (a) of this section of this Act shall become effective October 1, 1976, except as otherwise provided therein, and to the extent such amendment makes changes in such part B which affect student loans, such changes shall apply to outstanding loans as well as to loans made after the amendment becomes effective, except that—

[(1) the changes made in sections 425(a), 427(a)(1)(C), 427(a)(2)(G) and 428(b)(1)(A), (B), and (P) shall become applicable with respect to loans to cover the costs of education for periods of enrollments beginning on or after October 1, 1976;]

(1) the changes made in—

(A) sections 425(a) (other than paragraphs (1) (A) and (B) thereof) and 428(b)(1)(A) (other than divisions (i) and (ii) thereof), and sections 427(a)(1)(C) and 428(b)(1)(B) shall become applicable with respect to loans to cover the costs of education for periods of enrollment beginning on or after October 1, 1976;

(B) sections 425(a)(1) (A) and (B) and 428(b)(1)(A) (i) and (ii) shall become applicable with respect to loans made on or after February 12, 1977, to cover such costs for such periods beginning on or after November 12, 1976;

(C) sections 427(a)(2) (G) and (H) and 428(b)(1) (N), (O), and (P) shall become applicable with respect to loans made on or after June 1, 1977;

(5) the new section 433 shall become effective with respect to loans made *on or after February 12, 1977* to cover the costs of education for periods of enrollment beginning on or after [October 1, 1976] *November 12, 1976;*

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PART E—EDUCATION PROFESSIONS DEVELOPMENT

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TEACHER TRAINING PROGRAMS

SEC. 153. [(a)] Title V of the Act is further amended by inserting immediately before the heading of section 511 the following:

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PART G—CONSTRUCTION OF ACADEMIC FACILITIES

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REVISION OF PROGRAM

SEC. 162. (a) * * *

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(g) [(1)] Section 745(b) of the Act is amended by striking out "section 744(b)(2)" and inserting in lieu thereof "section 742(b)".

[(2) Section 745(c)(2) of the Act is amended by striking out "four" and inserting in lieu thereof "six", and by inserting before the period at the end thereof a comma and the following: "and October 1, 1977 and on October 1 of each of the succeeding fiscal years".]

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PART J—GENERAL PROVISIONS

DEFINITIONS

SEC. 181. *(a)* Section 1201(a) of the Act is amended by inserting immediately after the second sentence the following new sentence: "Such term also includes a public or nonprofit private educational institution in any State which, in lieu of the requirement in clause (1), admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located and who have the ability to benefit from the training offered by the institution.".

(b) Neither the amendment made by subsection (a) of this section nor the amendment made to section 435(b)(1) of the Act (by section 127(a) of this Act) shall be construed to authorize terminating the eligibility of an institution which was deemed to be an institution of higher education for purposes of sections 435(b)(1) and 1201(a) on the date of enactment of this Act. The preceding sentence of this section shall not be construed to

impair the authority of the Commissioner to limit, suspend, or terminate such eligibility for the reasons and as provided by section 497 of the Act.

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TITLE III—EXTENSIONS AND REVISIONS OF OTHER EDUCATION PROGRAMS

PART A—EXTENSION AND REVISION OF RELATED PROGRAMS

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PART D—GUIDANCE AND COUNSELING

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ADMINISTRATION

SEC. 343. (a) The Commissioner shall establish or designate an administrative unit within the Education Division for purposes of—

(1) carrying out provisions of this [section] *part*;

(2) providing information regarding guidance and counseling as a profession, guidance and counseling activities of the Federal Government, and, to the extent practicable, activities of State and local programs of guidance and counseling; and

(3) advising the Commissioner on coordinating guidance and counseling activities included in all programs which he is authorized to carry out, and, to the extent he deems practicable, how such activities may be coordinated with other programs of the Federal Government and State and local guidance and counseling programs.

(b) The Commissioner may reserve an amount not to exceed 5 per centum of the sums appropriated under this part to carry out the provisions of this section.

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NATIONAL DEFENSE EDUCATION ACT OF 1958

AN ACT To strengthen the national defense and to encourage and assist in the expansion and improvement of educational programs to meet critical national needs; and for other purposes

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TITLE VI—FOREIGN STUDIES AND LANGUAGE DEVELOPMENT

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APPROPRIATIONS AUTHORIZED

SEC. 604. There are hereby authorized to be appropriated $8,000,000 for the fiscal year ending June 30, 1964, $13,000,000 for the fiscal year ending June 30, 1965, $14,000,000 for the fiscal year ending June 30, 1966, $16,000,000 for the fiscal year ending June 30, 1967, $18,000,000 for the fiscal year ending June 30, 1968, $16,050,000 for the fiscal year ending June 30, 1969, $30,000,000 for the fiscal year ending June 30, 1970, $38,500,000 for each of the fiscal years ending June 30, 1971, and June 30, 1972, $50,000,000 for the fiscal year ending June 30, 1973, and $75,000,000 for each fiscal year ending prior to October 1, [1977],

1973, to carry out the provisions of this title, except that no funds shall be made available in any fiscal year for carrying out programs under section 603 until at least $15,000,000 has been made available in such fiscal year for carrying out the provisions of sections 601 and 602.

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GENERAL EDUCATION PROVISIONS ACT

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PART D—ADVISORY COUNCILS

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REPORT BY THE COMMISSIONER OF EDUCATION

SEC. 448. (a) Not later than [March 31] *June 30* of each calendar year after 1970, the Commissioner shall submit, as a part of the Commissioner's annual report, a report on the activities of the advisory councils which are subject to this part to the Committee on Labor and Public Welfare of the Senate and the Committee on Education and Labor of the House of Representatives. Such report shall contain, at least, a list of all such advisory councils, the names and affiliations of their members, a description of the function of each advisory council, and a statement of the dates of the meetings of each such advisory council.

(b) If the Commissioner determines that a statutory advisory council is not needed or that the functions of two or more statutory advisory councils should be combined, he shall include in the report a recommendation that such advisory council be abolished or that such functions be combined. Unless there is an objection to such action by either the Senate or the House of Representatives within ninety days after the submission of such report, the Commissioner is authorized to abolish such advisory council or combine the functions of two or more advisory councils as recommended in such report.

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